UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/WP/136
10 January 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Working Party on the Medium-term Plan
and the Programme Budget
Thirty-seventh session
Geneva, 15-19 January 2001
Item 4 of the provisional agenda

DMFAS TRUST FUND

Note by the UNCTAD secretariat

GE.01-50053

1. Establishment of a DMFAS Trust Fund

1. In its decision 462 (XLVII) the Trade and Development Board requested the Secretary-General of UNCTAD to consider the establishment of a Debt Management and Financial Analysis System (DMFAS) Trust Fund in order to ensure the financial sustainability of the central operation of the DMFAS Programme, as well as the different options and modalities for such a fund, and to report to the Working Party at its next session.

2. The Secretary-General, having considered this matter, has decided to establish a DMFAS Trust Fund in order to ensure the proper funding of the central operation of the DMFAS Programme and its activities, including software development, maintenance and implementation, training in debt management, as well as networking.

3. The DMFAS Trust Fund will:

(a) Cover the period from 2002 to 2005, with the possibility of an extension;
(b) Be replenishable up front by donors, with funds to be co-mingled;
(c) Include cost-sharing by beneficiaries;
(d) Be reviewed at mid-term (after two years);
(e) Be discussed yearly at DMFAS Advisory Group meetings.

4. The DMFAS Advisory Group will have a supervisory role with regard to the DMFAS Trust Fund. It will be important to seek further participation from existing and potential donor countries, as well as beneficiary countries, through representatives from their capitals.

5. Appropriate reporting procedures will be established. A detailed annual report will be made available in March of each year and at least two months prior to the Advisory Group meeting so as to enable comments and discussion in advance. The report should highlight the achievements and significant results of the Programme, propose operational activities and describe the corresponding needs.

6. A DMFAS Trust Fund document is being prepared and will be presented to the DMFAS Advisory Group prior to its next meeting, scheduled to take place in June 2001.

7. In this context it is appropriate to recall that the United Nations General Assembly, in its recent resolution on the external debt problem of developing countries (A/RES/55/184), emphasizes the need to strengthen the institutional capacity of developing countries in debt management and calls upon the international community to support efforts to that end; in this regard, it stresses the importance of initiatives such as DMFAS and the debt management capacity-building programme.

2. Cost-sharing by beneficiaries

8. It will be remembered that the Working Party agreed that appropriate arrangements to ensure the programmes' financial sustainability were necessary, based on (i) programme budget resources; (ii) programme support resources; (iii) extra-budgetary resources from donors; and (iv) annual maintenance fees. Also, it was agreed that financial sustainability called for a global and integrated solution, taking into account all four sources of funding.

9. Country projects,[1] which are the vehicle through which the DMFAS software and related training and advisory services are provided to countries, have very often included funding for the core staff in Geneva, amounting to around $300,000 in 1998 and 1999. This has been especially the case for country-related software development activities undertaken by the information technology staff. It should be noted that country-specific enhancements of the system undertaken for one country very often become part of the standard software and that in these cases there is no clear separation between central and country-specific core costs. Also, some country projects include funding for the core staff while the actual cost of the country work involved is lower than the costs being incurred. The contrary may also happen. In summary, current practice involves cost-sharing, but this is not systematic and not always consistent. Therefore, in order to make cost-sharing more systematic and transparent, the DMFAS Programme will start to apply relevant guidelines following discussions thereon in the Advisory Group.

10. In addition to the above, the UNCTAD secretariat will propose to beneficiary countries requesting continued support from the DMFAS Programme after the successful completion of their country project that such support be provided through direct contributions to the DMFAS Trust Fund. They would thus become fully involved in the DMFAS Advisory Group meetings.

3. First DMFAS Advisory Group meeting (Geneva, 16 November 2000)

11. In its decision 462 (XLVII), the Trade and Development Board recommended to the Secretary-General of UNCTAD that he rapidly establish advisory groups for *inter alia* the DMFAS Programme. Such groups would be composed of technical representatives of interested member States, including existing and potential donors and beneficiaries, and the UNCTAD secretariat and would advise the Secretary-General on a range of issues affecting these programmes, including options for ensuring their financial sustainability.

[1] It should be noted that such projects are funded by a range of bilateral and multilateral donors with their own policies and procedures.

12. The first meeting of the DMFAS Advisory Group took place in Geneva on 16 November 2000. At this meeting, which was attended by representatives of beneficiaries, donors and the UNCTAD secretariat, a range of issues were discussed, including the activities of the Programme and its financial plan for the next three years.

13. While the financial plan was deemed broadly acceptable by the participants, the shortfalls, especially for 2001, which amounted to $600,000, caused concern. Also, it was noted that the ability to maintain the country installations and to provide continuing technical cooperation services was closely linked to the long-term financial sustainability of the Programme.

14. Three possible solutions to resolve the continued cash-flow problems were presented to the participants: reducing the number of central staff; increasing donor contributions; and/or increasing contributions by the beneficiary countries. In view of the present demand for services and the workload of the central staff, it was agreed that staff reduction was not desirable. An increase in contributions from both donors and beneficiaries was therefore considered necessary.

15. After discussion, the following was agreed:

(a) A special effort would be made by the bilateral donors to close the financial gap for 2001;

(b) A replenishable DMFAS Trust Fund to cover the costs of the central programme would be created to cover the period 2002-2005.

16. The UNCTAD secretariat is currently discussing with donors funding requirements for 2001. Proposals concerning the DMFAS Trust Fund are presented above.

4. Action by the Working Party

17. The Working Party is invited to take note of the information provided in this note.